

Executive Summary

# Digital Leadership in the C-Suite

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Digitization is disrupting companies out of existence and transforming entire industries. Members of the C-suite in large multinational firms now have a huge stake in enabling their firms to survive, compete and prosper in the digital age. But the growing importance of digital strategies is creating tensions around the top table. Today, few senior executives feel confident that their organizations are adequately equipped for the digital challenges ahead.

Thus far, most of the C-suite focus has been on various forms of digital sales, marketing and customer service. But other functions are rapidly catching up. Already we see digital product development, digital manufacturing, digital supply chain, digital finance and even digital HR. Who should drive these initiatives? Who should be kept far away? Is there a need for a Chief Digital Officer? What is the role of the CIO in all of this? In many large organizations, the answers are not yet clear.

While there are examples of companies who have made huge strides, the majority of C-suite teams have yet to genuinely come to grips with the digital leadership imperative and need to do so urgently. Companies are telling us that the lack of sufficient digital leadership from senior executives is now a major barrier to future success. In too many organizations, the status quo persists – a CIO largely focused on complex back-office requirements, CXOs who are not sufficiently digitally savvy, and no clear plan to improve the situation.

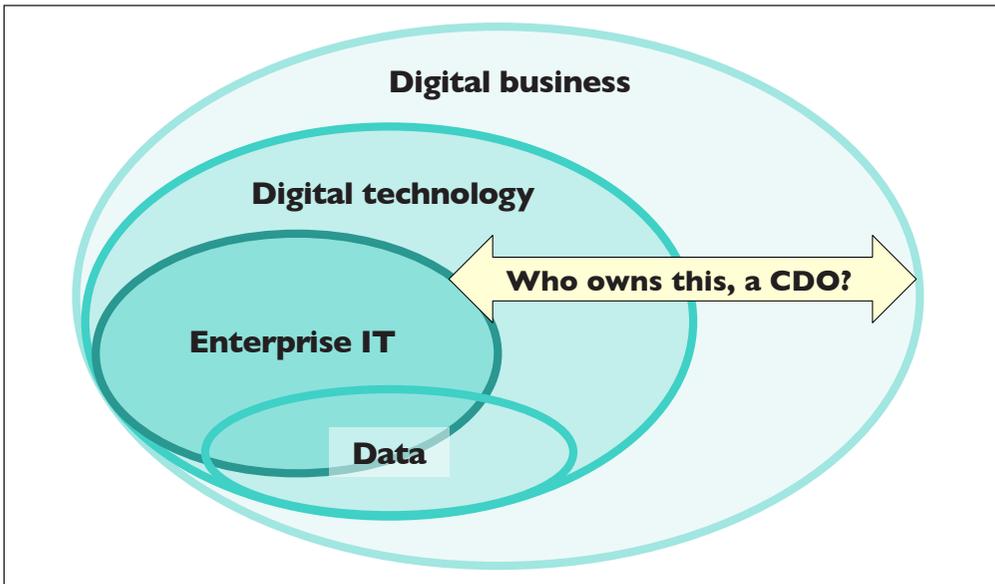
This executive summary is based on our recent research exploring the issues and questions above and in particular the Digital drama now unfolding within the senior ranks of the firm. The objective of our work is simple: to provide CEOs and other members of the C-suite with a set of options, recommendations and actions with which to develop the digital leadership needed at the highest levels of their organizations.

## What do we mean by Digital?

Marketing executives are rubbing their hands at the potential of it. Product development directors are dreaming up new applications for it. CEOs are envisioning how their business will be transformed by it – or if they miss the boat, how they will get eaten alive by it. Consumers are spending their hard-earned cash on it, with it and through it. The media is full of it and indeed is transforming itself into it.

We are, of course, talking about *Digital*. But what is Digital and what's really new about it?

Revealingly, CIOs and others in Enterprise IT often struggle the most with this question. They ask: "What's the big deal? Surely Digital is just a new, more fashionable label for IT (Information Technology) which itself was just a more fashionable label for IS (Information Systems) and before that DP (Data Processing), and before that EDP (Electronic Data Processing)! We're already responsible for managing all of that. So why all the fuss?"



**Digital and IT leadership are not the same**

While linguistically it is true that the differences between IT and Digital are somewhat semantic, in the real world there is a crucial distinction.

*What we call Digital is often precisely those things that firms don't necessarily think should be managed by the Enterprise IT department in the traditional way.*

In many firms today, smart products, online sales and marketing, customer apps, social media interaction, mobility, advanced analytics, new business models and the like are simply too core to the future success of the firm to be left to traditional IT. As suggested by the figure, we believe that the increasing use of the word *Digital* signals growing concerns about the future leadership of the firm, as neither traditional executives nor traditional IT seem well suited for the unpredictable but potent challenges that lie ahead.

## Does your firm need a CDO?

In some firms a new role is emerging to fill the gap – the Chief Digital Officer. The CDOs that have been appointed to date have widely varying remits and reporting lines. Some, as the title would suggest, are genuine chiefs, full members of the C-suite with a scope of interest that is truly enterprise-wide. Others may have the CDO title but live further down in the organization, perhaps with a particular functional alignment, typically marketing. As a result, the CDO title means many things to many people. The common denominator is that they are all expected to show how their companies can and will win in the digital world.

Hiring a CDO presents its own risks and challenges, especially the possibility that other executives will be tempted to essentially abdicate the Digital agenda to the CDO or CIO. Increasingly, this will be the path to – and the equivalent of – retiring. Many firms are now facing executive obsolescence to at least some extent, a trend we expect to accelerate.

Nevertheless, with or without the CDO title, having a C-level Digital champion will be important in almost every firm. Such a person can help increase the firm's Digital IQ at all levels of the organization, but particularly in the C-suite. He or she can also kick-start the Digital strategy and transformation journey, and help build a cadre of future Digital leaders, ideally seeded with strategic hires from outside the firm where required.

## Implications for the CIO

For every CIO who has wished to broaden the mission of the IT organization – from back-office automation and IT cost optimization, to front-of-the-firm business growth and competitive advantage – the Digital movement should be great news. CIOs are serious candidates to lead their firm's digital strategy and transformation. If not already a member, Digital could be their ticket to the C-suite.

But the digital leadership role will not be the CIO's by default. Enterprise IT as we now know it is likely to be increasingly marginalized in the Digital era. If IT simplification, rationalization, standardization and service stabilization dominate the current agenda, it may already be too late. If IT is largely disconnected from what the firm is doing with data analytics, social media or the internet of things, the CIO should be very concerned.

CIOs who don't adapt to the new world won't necessarily go the way of the old 'VP of Electricity', but they will be increasingly relegated to managing the back-office plumbing. They need to ensure that their business peers can imagine them playing the role of a digital business strategist. Otherwise, the Digital role is probably out of reach.

In our informal survey of CIOs, CDOs, CMOs and other C-suite executives, we asked, "How many of today's CIOs are likely to be tasked with leading the Digital transformation of their company?" The answer was a shocker: a third or less. If it is true that only a third of today's CIOs will be asked to step up and lead the digitization of their business, how will the 'other 66 percent' be spending their time, and who will fill the implicit digital leadership void? Clearly, many firms have a long way to go.

## Conclusion

While we certainly don't believe that every company needs to hire a Chief Digital Officer, under some circumstances it may be a good idea to do so. But we do recommend that someone in the C-suite (maybe the CIO, maybe not) be given formal responsibility for ensuring that the right Digital agenda is formulated and pursued, and that Digital is sufficiently well-understood and pervasive that it becomes part of everyone's job – in the C-suite and across the organization.

To make all of that happen, there needs to be a concerted effort to raise the Digital IQ of the senior leadership team which, in turn, will ensure that the broader organization appreciates emerging Digital opportunities and imperatives. Developing – and where necessary recruiting – digital talent will also be required to shape and deliver the desired transformation agenda.

The alternative is not attractive. We see many firms where the status quo prevails, with an Enterprise IT organization that is disconnected from or can't keep up with emerging digital business activities, a C-suite where 'technology is not my job' attitudes are still deemed acceptable, and isolated pockets of digital activity in marketing, engineering and elsewhere that have yet to coalesce into a real Digital strategy. Such firms will prove to be increasingly vulnerable to rivals who take the potential of digital technologies and digital disruption much more seriously.

1. Appoint or recruit your C-level Digital champion ... ideally, a future enterprise-wide digital transformation leader
2. Make Digital everyone's business. Actively equip and enable members of the C-suite to lead in the new world
3. Kick-start the journey to re-imagine your company's future in the Digital world – envision, strategize, plan and transform
4. Develop and recruit future digital leaders in key functions as C-suite coaches and potential transformation team members
5. Map out how IT and digital services will be managed in the future and the journey from Enterprise IT to digital business

#### Summary of recommended actions

Looking ahead, these are exciting times to be a leader. Digital brings huge opportunities for innovation and transformation in the way we all live, work and play. Today's high rates of change will continue for at least another decade, and probably longer, creating all manner of new possibilities. The five actions shown above will help your firm embrace this emerging world. But to succeed, they must be coupled with insight, wisdom and effective execution. A fair wind always helps too. We wish you all of those things and more, as you and your colleagues seek to make your firm fit for purpose for the coming Digital age.

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